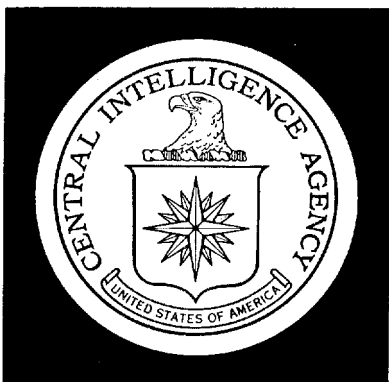


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Vietnam: The cease-fire has been marred by only a few minor enemy-initiated incidents. Intelligence reflects enemy attack preparations, however, and a resumption of fighting early on 11 September appears likely.

* * * *

The new regime in Hanoi is laying great stress on continuity of policy, and the unity of the collective leadership.

These were the principle themes in Ho Chi Minh's will and the party central committee's eulogy, both of which were read on 9 September by party first secretary Le Duan. These themes have been emphasized repeatedly in official speeches, editorials, and communiqués since Ho's death.

Duan's eulogy seemed to give continuation of the struggle in the South top priority for North Vietnam. Ho's will was less clear on priorities, but it included an exhortation that the fight in the South must be carried on until final victory.



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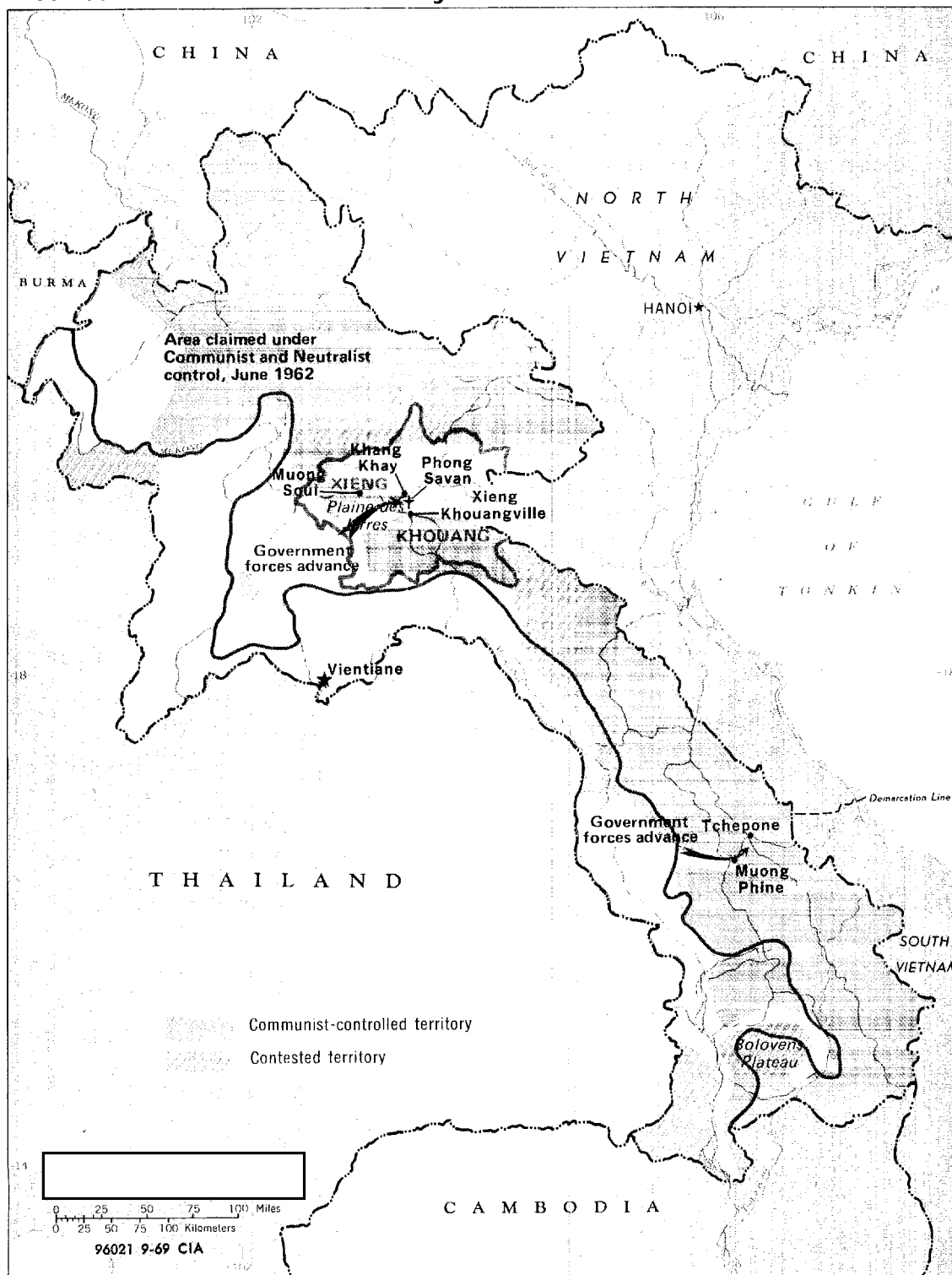
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LAOS: Government Forces are Cutting into Communist Areas



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Laos: Government forces are cutting deeper into Communist territory in the north, while in the south they have recently captured an important town protecting the enemy's infiltration corridor to South Vietnam.

Vang Pao's troops have occupied almost all of the Plaine des Jarres and advanced elements are now on the outskirts of Khang Khay, the military and administrative headquarters for Pathet Lao and dissident neutralist forces in Xieng Khouang Province. A guerrilla company has captured Phong Savan airfield. Because of their political sensitivity, Phong Savan and Khang Khay have been heretofore off limits to both air and ground assault.

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[REDACTED] Pathet Lao troops are pulling out of the Khang Khay area, and the town itself may fall to guerrillas by default. Vang Pao has also deployed three battalions south of the Plaine to retake Xieng Khouangville.

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In south Laos, meanwhile, guerrilla troops have occupied Muong Phine, a long-held Communist town on the edge of the infiltration corridor. They apparently hope to push farther eastward into the Tchepone area, a key North Vietnamese logistic and command base center. The capture of Muong Phine is the government's deepest penetration into the supply corridor in several years. Although bad weather may forestall an immediate enemy move, the Communists are almost certain to react sharply to these temporary inroads. The enemy response is not likely to be confined to the Muong Phine area.

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West Germany: The Christian Democrats appear to hold the advantage over the Social Democrats as the election approaches.

Major independent polling organizations have held to their agreement not to publish their findings prior to the 28 September balloting. Private party polls as reported in the press, however, have given the Christian Democratic Union (CDU) an edge in the range of two to five percent over the Social Democratic Party (SPD).

The CDU has beaten out the SPD in the five previous parliamentary elections. In 1965 the Christian Democrats got 47.6 percent and the Social Democrats 39.3 percent. Campaigners for both parties in the current campaign appear to be operating on the assumption that the SPD may have narrowed but not overcome the CDU advantage.

The hopes of the SPD depend on the extent to which it can woo traditional CDU voters among such groups as Catholics, women, and the prosperous middle class. The CDU is banking on the maintenance of past voting patterns, as well as on the great popularity of Kiesinger.

Both parties are striking the theme of "security" with the debate centering on which can better preserve prosperity and political stability and provide for defense. Both are exercising some degree of restraint so as not to endanger prospects for a continuation of the grand coalition.

The major parties are expending a large portion of their energies in combating the rightist National Democratic Party (NPD). They are taking seriously NPD claims that it will win a voice in the next parliament, even though polls show the NPD below the five percent required for entry into the Bundestag.

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Japan: Prime Minister Sato's domestic political strategy calls for general elections soon after agreement is reached with the US on the return of Okinawa.

In a recent press conference, Sato hinted broadly at the possibility of Diet dissolution in December. This would be followed by a general election in January seeking a new mandate for Sato and his Liberal Democratic Party on the basis of the Okinawan settlement. Government leaders now apparently believe that formal exclusion of nuclear weapons from Okinawa is the most important point at issue and that the complicated and sensitive matter of special uses of the US bases can be worked out to the satisfaction of both sides.

Barring a breakdown in the negotiations on Okinawa, Sato's party may make some slight gains in the next election. The Buddhist-based Komeito could make substantial gains at the expense of the Japan Socialist Party, which it eventually aspires to replace as the second largest party. [REDACTED]

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Arab States: An extremist Arab fedayeen organization has reiterated its intent to mount an "all out, no holds barred" campaign of terrorism against Israeli and "imperialist" facilities outside the Middle East.

The Popular Front for the Liberation of Palestine (PFLP) has already bombed Tapline, hijacked a US TWA aircraft, attacked three El Al aircraft, and carried out the recent rash of bombings of Israeli embassies and airline offices in Europe. It has now vowed that "it will not be responsible for the lives of tourists and foreigners, regardless of nationality, who use Israeli means of transportation."

The PFLP's statement comes in the wake of rising Arab tensions over the burning of the al-Aqsa mosque and the delivery of US Phantom aircraft to Israel. The group's objective clearly is to attempt to force the US and other Western countries to press Israel into withdrawing from the occupied Arab territories.

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Libya: The newly named cabinet may be little more than a front for the military junta.

The nine members of the predominantly civilian cabinet headed by Mahmud Sulayman Al Maghribi were announced by the military on Monday. A number of the seven civilians are known to have been associated with various dissident, antimonarchical groups. At least two of them were recently released from prison where they were being held for acts against the old regime. The key posts of defense and interior are held by alleged members of the army's Revolutionary Command Council.

[redacted] it probably appointed the cabinet both because it wanted a facade and because the young officers who engineered the coup do not have either the knowledge or experience to administer the bureaucratic machinery of government.

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The civilian ministers may attempt to influence the junta, but they are unlikely to be able to sway it on matters considered of vital interest to be decided by the military alone. [redacted]

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Tunisia: President Bourguiba's cabinet reshuffle is in line with the recent retrenchment in economic policy.

The chief loser in the realignment, announced on 8 September, is socialist-oriented Ahmed Ben Salah, who was stripped of the key planning and development portfolios he had held since 1961. He retains only the secretariat of state for education, which he took over last year as an additional duty.

Some of the policies pressed by Ben Salah have drawn heavy criticism, particularly those that envisage the organization of all agriculture into cooperatives. The acceleration of the cooperative program late last year was highly unpopular and met with some active resistance. The program also suffered from a shortage of funds and trained personnel. Bourguiba, although himself an advocate of the cooperative concept, ordered a retrenchment. Last week, measures were announced that will leave some types of agriculture in private hands, return some farms to private management, and generally slow the pace of the program in areas where it will still go forward.

The cabinet reshuffle gives added responsibility to Bahi Ladgham, secretary of state for the presidency. Ladgham, already the government's second-ranking official, will now oversee the coordination and implementation of economic programs.

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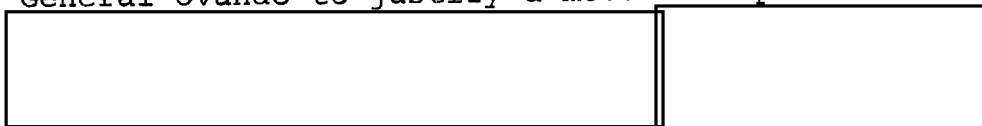
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Bolivia: A series of terrorist bombings may be used as a partial pretext for a military overthrow of the four-month-old government of President Siles.

The hit-and-run dynamite attacks which began on 6 September and continued into 8 September came only a few days after a clandestine broadcast made by someone claiming to be "Inti" Peredo, a member of the "Che" Guevara guerrilla band. Peredo announced that the pro-Castro Army of National Liberation (ELN) would resume guerrilla activity when the time was appropriate. ELN leaders may consider that the unsettled pre-election political atmosphere is an appropriate time for urban terrorism to soften up the government prior to a full-scale resumption of guerrilla warfare. Government officials are ascribing the attacks to the ELN or to those supporting its program.

Whatever the objectives of the attacks or the identity of the persons responsible, the uncertain atmosphere generated by the bombings may be used by the politically ambitious armed forces commander General Ovando to justify a move to depose Siles.



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Chile: Leftists are planning a large rally on 11 September to call for the complete nationalization of the copper industry.

This meeting would coincide with the end of an "anti-imperialist" youth march from Valparaiso that began on 6 September. The Communists, who are playing a major role in planning the rally, are hoping for a turnout of 30,000, but the actual attendance probably will be lower.

The government originally refused permission for the march but relented after receiving assurances from the organizers that no violence would be permitted. The minister of interior commented to a US Embassy official that youth needed "outlets" and that the Communists could be counted on to be "responsible" in this kind of matter.

Some marchers reportedly hope to undertake demonstrations against US Government offices. Security forces can be expected to be on watch in an effort to prevent such action.

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Ecuador: Emotions are running high over the skyjacking of two air force planes to Cuba on 6 September and the murder of one of the copilots.

Outraged public and official reaction appears ready to push the issue before the UN Security Council. In a public report on the incident, the minister of defense said that Ecuador intends to bring this "monstrous crime" before the UN. Although President Velasco's statements have been more temperate, he has demanded that the 13 air pirates be returned from Cuba.

The military's intention to seek revenge for this humiliation apparently meets with the approval of both the country's leadership and the public. The search for revenge is likely to create further violence.

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Uruguay: A prominent Uruguayan banker and newspaper publisher was kidnaped yesterday.

The Uruguayan, Gaetano Pellegrini, was a member of a committee studying Uruguay's current strike of bank workers, now into its third month. He has taken a strong position against the strikers in the committee, and his paper is progovernment. By kidnaping him, the abductors may believe they are both showing their contempt of the government and their support for the bank workers.

The kidnaping was a well planned, smoothly run operation, reminiscent of the abduction last year of a top Uruguayan Government official by the leftist extremist Tupamaros group. The Tupamaros, as distinct from other would-be terrorist organizations in Montevideo, are well disciplined. If Pellegrini is in Tupamaros hands, there is a reasonable chance that they intend to use him for propaganda purposes and then release him unharmed. No ransom note of the type used in the Brazilian kidnaping of Ambassador Elbrick has been found.

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Honduras: Crop damage caused by Hurricane Francelia has seriously compounded the economic problems caused by the conflict with El Salvador.

Preliminary assessments indicate that the economic damage caused by the hurricane exceeds that caused by the war. Hardest hit have been the banana and sugar crops, which together account for more than one half of the country's foreign exchange earnings and are an important source of government revenues. The government is already burdened by the need to expend scarce resources for relief and rehabilitation programs for persons displaced by the fighting.

The government has thus far refused to restore economic relations with El Salvador. It has not, however, been able to find new markets for products that formerly were sold there. The government seems to be banking on US action to increase the Honduran meat and sugar quota and on US support in the International Coffee Organization for a coffee quota increase.

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International Trade: Brisk price competition appears to have slowed as the major wheat exporting countries engage in consultations to restore some order to the international wheat market. Several technical-level discussions have taken place during the past week, and more are likely before the end of the month. The US has called for a meeting of senior policy officials in London on 6 October, and Canada and Australia have agreed to attend. The European Communities' primary wheat negotiator has said that while he has no objection in principle to the London meeting, he wishes to reserve his position until he reviews the results of the technical-level discussions.

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